

Buying and Selling Stocks

14-4 Assignment

Read Section 14-4 in the textbook packet and answer the following questions.

Questions 101-128: Determine if the following statements are True or False.

- _____ 103. Discount brokerage firms do not normally provide specific investment advice to an individual customer.
- _____ 104. All states require registration of all securities sold within the state.
- _____ 105. The Security Investors Protection Corporation (SIPC) is a government agency that insures investors against losses when stock prices fall.
- _____ 106. The federal government agency that approves the rules and regulations for the investment industry is the Securities and Exchange Commission.
- _____ 107. Generally the smaller the value of a stock transaction, the higher the percentage commission charged on the transaction.
- _____ 109. Some investors neglect to investigate a stockbroker and lose money as a result.
- _____ 117. A market order instructs the stockbroker to execute an order at the prevailing market price, the current selling price of a security.
- _____ 119. A limit order instructs the stockbroker to buy or sell if a specific price is reached.
- _____ 120. A disadvantage for a seller placing a limit order is that it could result in no sale if the price of the stock drops.
- _____ 121. A limit order is especially useful when one wants to buy or sell stocks that are relatively stable in price.
- _____ 122. A stop order instructs a stockbroker to sell your shares at the market price if a stock declines to or below a specified price.
- _____ 128. Long-term gains are taxed at special rates.

Questions 295-311: Determine the best answer.

- _____ 295. Another name for a stockbroker is
 - a. an account executive.
 - b. a registered agent.
 - c. a sales representative.
 - d. All of these.

- _____ 296. When securities are kept in their street name, they are registered in the name of the
 - a. issuing corporation.
 - b. individual investor.
 - c. brokerage firm.
 - d. Security Investors Protection Corporation.

- _____ 297. Most investors leave securities certificates in the name of their brokerage firm, rather than take physical possession,
- by law.
 - because it is required by the SEC.
 - as a matter of convenience.
 - None of these.
- _____ 298. On a cash account, full settlement is due the brokerage firm within _____ business days after a buy order has been given.
- three
 - five
 - seven
 - ten
- _____ 299. _____ is (are) normally provided by both general brokerage firms and discount brokerage firms.
- Execution of buy and sell orders
 - Personal advice about investments
 - Research analysis of investments given personally to the investor
 - Investment newsletters
- _____ 300. Which of the following is not an external regulator of stock brokerage houses and stock exchanges?
- FINRA
 - SEC
 - a brokerage firm
 - SIPC
- _____ 301. The Security Investors Protection Corporation insures cash funds in an investor's account up to a total of _____, but no more than _____.
- \$500,000; \$100,000
 - \$500,000; \$250,000
 - \$250,000; \$50,000
 - \$100,000; \$50,000
- _____ 302. Brokerage commissions are charged
- annually.
 - when stock is purchased.
 - when stock is sold.
 - both when stock is purchased and when stock is sold.

- _____ 303. Buying and selling stocks quickly with the hope that the prices will move enough to cover transaction costs is known as
- short selling.
 - day trading.
 - margin trading.
 - cash trading.
- _____ 304. The type of order that instructs the broker to buy or sell securities at the prevailing price is called a _____ order.
- stop
 - limit
 - market
 - month
- _____ 305. Most trades are
- market orders.
 - limit orders.
 - stop orders.
 - None of these.
- _____ 306. Hanna has 100 shares of Barnes, Inc., which she purchased for \$23 has been rising recently and is currently selling for \$25 a share. She places an order with her broker to sell her Barnes shares when the price reaches \$26.50 a share. This is an example of a _____ order.
- stop
 - limit
 - market
 - month
- _____ 307. A market order and a limit order are orders to _____, while a stop order is an order to _____.
- buy; sell
 - buy or sell; buy
 - buy or sell; sell
 - sell; buy
- _____ 308. Gordon purchased 100 shares of Hemp, Inc., at \$48 a share. At the same time, he instructed his broker to sell these shares if the price fell to \$40 a share. This is an example of a _____ order.
- stop
 - limit
 - market
 - month

_____ 309. An order that can be used to protect profits or to limit losses is called a _____ order.

- a. market
- b. limit
- c. stop
- d. fill-or-kill

_____ 311. Long-term capital gain tax rates for investors in the 25% tax bracket or higher is

- a. 0 percent.
- b. 10 percent.
- c. 15 percent.
- d. 25 percent.

Also do: Concept Check: Page 436 #1-2